ASIA PACIFIC | EUROPE

Domino's

FY23 TRADING UPDATE & COST INITIATIVES

13 JUNE 2023

SUMMARY

- Domino's has taken steps to deliver material, near-term, cost savings, improving efficiency and building a stronger foundation for future growth. Immediate outcomes include:
  1. *Closure of Domino's Denmark*
  2. *Optimising the corporate store network*, through accelerated franchising and closure of ~65-70 underperforming corporate-owned stores
  3. *Delivering on the planned commissary closures* in South-East Asia, accelerated amortisation of legacy IT assets,
  4. *Streamlining core operations* to increase operational efficiencies
- The combined savings will **improve FY24 EBIT by ~$25-30m**, with *these savings expected to increase over the next two years* as initiatives are completed
- Approximately one third of these savings are planned to be passed back to stores, as Management reinvests in the franchisee network base

SUMMARY – *continued*

- Non-recurring costs are expected to be in the region of ***$80-93m***
- Initiatives will provide annualised savings of **$53-59m**[1]

Initiative	Non-recurring costs[2]	Annualised Network savings
Danish Market Closure Costs	$20-26m	$12m
Optimising the corporate store network[3]	$50-55m	$16-20m
Planned commissary closures in SE Asia & legacy IT assets	$10-12m	$5-7m
Streamlining operations[4]	To be determined	$20m
Total	**$80-93m**	**$53-59m**

(1) Annualised Network savings; approximately one third of these savings are planned to be passed back to stores, as Management reinvests in the franchisee network base

(2) Non-recurring cost projections are Management's best-estimates. Cost projections are subject to variation, due to, for example, timing of initiatives and other factors beyond Management's control. They are anticipated in the FY23 and FY24 periods.

(3) In addition, further non-recurring costs are anticipated during FY24, relating to streamlining of operations, which are to be determined

(4) The benefits of this initiative will be fully realised over two-year horizon

Cost Initiatives

EXITING THE DANISH MARKET

- Despite best efforts, performance in this small market has not materially improved
- Danish market was acquired for €2.5m, in a receivership process, from the former owners, in 2019
- Exiting Denmark is expected to result in *$20-26m of closure costs in FY23*
- Closure will deliver *$12m in immediate earnings improvements*
- Operating results for this market will be classified as 'discontinued operations' and excluded from Domino's underlying results

OPTIMISING THE CORPORATE STORE NETWORK

- Corporate store network to reduce by ~15-20%, through the *closure of underperforming stores and accelerating franchising*
- Corporate store closures: ~65-70 stores (<2% of the Global network) have been identified as underperforming and are not expected to reach sustainable levels of sales or profitability in the near term and as such will close
- Corporate store franchising: Domino's will partner with experienced franchisees to franchise ~70-75 corporate stores that are in 'turnaround'
- *$50-55m non-recurring costs are anticipated as part of this initiative*
- Optimisation of network expected to be completed in H1 24 *and deliver annualised savings of $16-20m*

DELIVERING ON PLANNED COMMISSARY CLOSURES IN SOUTH-EAST ASIA AND LEGACY IT ASSETS

- Commissaries to close in Taiwan, Malaysia, Singapore, and Cambodia, improving product quality, supply chain resilience and reducing unit costs to stores

- With all geographies successfully integrating onto the new generation OLO during the year, the useful life of legacy assets has been shortened, resulting in accelerated amortisation of $7m

- The above are expected to result in *$10-12m of non-recurring costs during FY23*

- Commissary closures and the accelerated amortisation of legacy IT assets are estimated to deliver an *annualised saving of $5–7m*

STREAMLINING CORE OPERATIONS

- Domino's is reviewing business units to identify efficiencies, including realignment of business structures, simplification of systems and removal of operational areas that are not core to our future growth
- Immediate changes include the closure of our Construction and Supply subsidiary in Australia
- Ongoing savings will increase as the streamlining continues to <u>*~$20m EBIT savings from FY25*</u>
- An update on this review will be provided in August at the Full Year Announcement

Group Trading Update

GROUP TRADING UPDATE

- **Same Store Sales**: improved during the Second Half
  - Despite positive trends in Q4, FY23 Same Store Sales remain below the medium-term outlook of 3-6% annual growth
  - Group(1): H2 +0.2% | Q4 +2.0%
  - Group, excluding Taiwan(1): H2 +1.0% | Q4 +3.0%
- **Organic store openings**:
  - Organic new store openings for FY23, prior to corporate store closures, are expected to be ~6-7%
  - FY24 New store openings will be below the medium-term outlook of 8-10%
  - *DPE's Future Outlook for network store count remains unchanged, at 7,100 stores by 2033(2)*

(1) As at 4 June 2023, noting Taiwan has been excluded from SSS calculations due to significant one-year variability following delayed lifting of COVID restrictions (October)
(2) Domino's Denmark was planned to add 150 stores to the global network by 2033. This has been removed from the long-term store outlook

WE ARE THE DOMINANT SUSTAINABLE DELIVERY QSR

IN EVERY MARKET BY **2030**